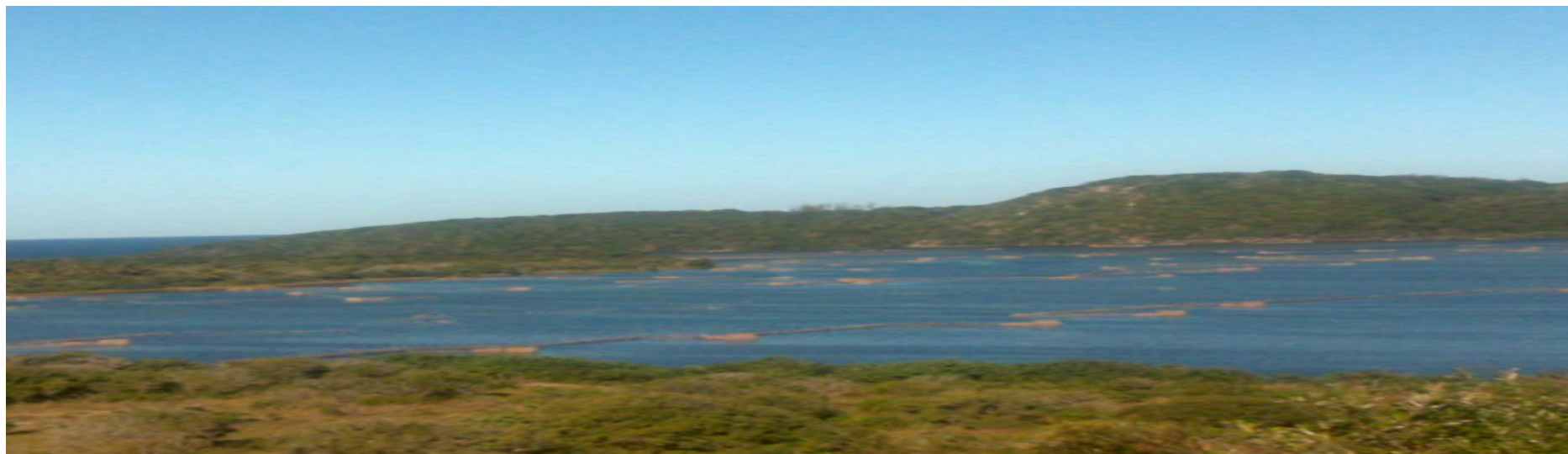




UMHLABUYALINGANA LOCAL MUNICIPALITY
(KZ271)



ANNUAL REPORT
2009/10



UMHLABUYALINGANA LOCAL MUNICIPALITY

2009/10 ANNUAL REPORT

PHYSICAL ADDRESS:

UMHLABUYALINGANA LOCAL MUNICIPALITY
R22 MAIN ROAD ,KWANGWANASE 3973

POSTAL ADDRESS :

PRIVATE BAG X901
KWANGWANASE, 3979
TEL NO : 035 592 0680
FAX NO: 035 592 0672

OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2009/10 IN TERMS OF SEC 129 OF THE MFMA

On the 14th of December 2010 the draft Annual Report together with Auditor-General's Report including the management action plan was submitted to Council for approval. The Council considered the said reports and adopted the Auditor-General's Report. The Council referred the draft Annual Report to municipal SCOPA for necessary due processes including public consultations.

On the 3rd and the 9th of February 2011 the municipal SCOPA was convened to determine the procedure and processes to be followed in handling the issue of public consultation. The committee resolved to approved the programme as set out in the advertisement.

On the 15th of February 2011 a public consultation meeting was held at Mashabane Traditional Council. On the same day the municipal SCOPA was supposed to have another consultation meeting with the community of Tembe Traditional Council which could not be held because there was nobody available at the venue of the meeting and it was reported that Inkosi had summoned all izinduna to Emfihlweni royal palace in preparations for Umthayi. On the 18th February 2011 two public consultation meetings were held at Mbila and Mabaso Traditional Councils.

The deliberations of the public consultation meetings may be summarized as follows:

1. Lack of Service Delivery;
2. Misuse of public funds by municipal officials and councillors (corruption & staff tenders);
3. Sustainability financial improvement plan in municipal practices after Provincial Government intervention in June 2011;
4. The delivery model of the municipality must take in to account the four (4) Traditional Councils;
5. Performance of the municipality was poor;
6. What was the municipality doing about the people responsible for the misuse of funds;

7. When the municipal SCOPA visit community, they must ensure that senior managers are in attendance to provide instant responses/answers to the questions; and
8. Poor attendance of public consultation meetings by members of municipal SCOPA.
9. The communities recommended that the municipality must maintain the practice of regular consultation with the communities

After the conclusion of the public consultations the municipal SCOPA reviewed and assess the public deliberations and the operations of the municipality in general, and came to the following conclusion; and concurred with submissions of the public and further identified the following weaknesses:

1. That the Annual Report is not based on any Organizational Performance Scorecard with specific Performance Targets of deliverables;
2. That Sec 57 managers' SDBIPs did not cover the entire financial year under review (last 4 months of the year).
3. The involvement of staff members in tenders with municipality is becoming a constant feature with the municipality, thus showing weaknesses in governance controls;
4. The Mayor's supervision of the Municipal Manager and Executive Committee's monitoring of the management in general, have shown some serious gaps which have been largely responsible for the under performance at the management level.

After the conclusion of the interrogation of the draft Annual Report and other reports submitted by the management to various committees of the Council, the municipal SCOPA came to the conclusion that the overall performance of the municipality for the year under review was below expectation. The municipal SCOPA noted with concern the absence of Audit Committee during the year under review.

Notwithstanding the above findings and concerns the municipal SCOPA recommend to Council the adoption of the Annual Report 2009/10 subject to above findings for improvement in future years.



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MAYORS FOREWORD

1. Introduction

Umhlabuyalingana Municipality is a boarder municipality , covering the area between the rest of South Africa and Mozambique. It is 3 693 KM² big in geographic space. It is one of the five local municipalities constituting Umkhanyakude District Municipal Area; in the Northern end of KZN Province. According to 2007 households survey by Stat S.A, it has a population of 163 692, divided into about 27 006 households. 77% of the population is below 35 years old. It has one of the highest rate of unemployment. It is estimated that there are only 7 200 people in formal employment against a total population of 163 692 in the area. This means that one person in formal employment caries about 23 persons on his/ her income. The municipal area is divided into 13 wards. Manguzi and Mbazwana are the main centres of urban settlement which for all intents and purposes should be regarded as the main town of Umhlabuyalingana Municipal Area. The CBD of Manguzi is about 11km from the South Africa-Mozambique boarder.

2. CHAPTER 1: MUNICIPAL MANAGER'S OVERVIEW

- **Background**

During the year under review, the municipality was under a section 139 (1)(b) of the Constitution. The intervention was predicated by the following events:

- In the year ended June 2007, the Auditor General delivered a qualified Audit Opinion on the AFS of the municipality. The AG's findings included unauthorised expenditure of R4.6 million, operating deficit of R8.5 million, overpayment of Councillors travel claims of R 844 634, lack of supporting document for some of the expenditure and R1.2 million of liabilities in excess of the value of the assets.
- During the year ended June 2008, again the FS of the municipality were qualified in respect of the various matters set out in the AGs report. They include a growing operating deficit of R8 916 893 , bank overdraft of R1 055 748, R13 087 222 of funds , reserves and provisions without cash equivalent, irregular expenditure of R2.5 million in respect of Conditional Grant Funding and unauthorised expenditure of R555 498. The total financial liability for this year amounted to R14 142 970.
- In the year ended June 2009, the audit opinion was not qualified; but the Auditor General had concerns on other matters which included irregular expenditure of R7 634 898 of Conditional Grants , unpaid overdraft of R933 026 and unauthorised expenditure of R1 214 957. The Auditor General noted that the cost of councillors and staff salaries on one hand and the general administration on the other, took more than 90% of the operating expenditure, including the fact that the municipality was having difficulties in paying staff salaries on time. The AG concluded that the financial sustainability of the municipality was under threat. The total financial liability during this year for which the municipality had no cash investment, amounted to R15 382 881. This amount included the above mentioned irregular expenditure, unauthorised expenditure and creditors of R5.6 million.

In December 2009 the Provincial Government appointed an Administrator for the municipality in terms of section 139 (1)(b) of the Constitution. The MEC'S brief to the Administrator was to institute a Recovery Plan to address the above financial weaknesses. The brief included a review of the municipal budget of 2009/10 and an institution of a management system in general and a performance management system in particular. At the time when the Administrator was appointed, the municipality had no cash in the bank whatsoever; instead, it had a negative balance of RI MILLION overdraft. The National Treasury had evoked the provisions of DORA to withhold the equitable share trench transfer of November 2009. The work of the Recovery Plan starts in earnest in December 2010. The first point of call, was to negotiate the National Treasury to release the withheld funds (November Equitable Transfer) on the understanding that all the outstanding DORA reports will be submitted to the National Treasury within three months of the intervention; which was duly done. The cooperation of the National Treasury in this regard provided a breathing space for the Administrator to start his work including compilation of the Recovery Plan. The Recovery Plan was completed in February 2010. However, some parts of the Recovery Plan had already been implemented in January 2010, such as freezing expenditure on travelling, functions /catering, overtime, conference/workshops and sport activities. The earliest measure of the Recovery Plan was the declaration of the moratorium on all the non-core municipal activities and activates of administrative nature. These activities included the above mention activities/ expenditure including overtime and activities of a welfare nature (indigent funerals). One of the early products of the Recovery Plan was the institution of a cash flow management plan which pre- determine the limit of expenditure, including activities of expenditure, of any given month. There was a cash flow management plan for a remainder of the year (January to June 2010). This plan was reviewed on the monthly basis. The objectives of the Recovery Plan were the following:

- Freeze future expenditure on all activities which are not life threatening except Capital Expenditure and Salary Expenditure
- Build sufficient cash in the bank to address all outstanding creditors
- Build cash- backed reserves in the bank to fund all Unspent Conditional Grants
- Build a reasonable working Capital cushion to improve financial viability and sustainability

- Review the Budget structure of expenditure to eliminate votes on unnecessary non-core activities
- Review the work structure of the programmes of the municipality to ensure value for money
- Review the budget for 2009/10 financial year with a view of containing expenditure on the budget
- Review the staff organogram , taking to account the functions of the municipality

The purpose of the above objectives was to create a space or a provision in the budget of the municipality for the funding of Service Delivery Programmes for the development of the municipal area.

It is pleasing to report that withstanding the still obtaining challenges in the municipality , some degree of financial stability has been established. We indicated above that at the start of the Provincial Intervention in the municipality the financial liabilities(debts) stood at staggering figure of R 15 382 881. This figure included unpaid creditors of R5.6 million and misappropriated conditional grants of R7.6 million and more. By April 2010, all known creditors had been paid off. Staff salaries were paid in time and the municipality was able to end the financial year in June 2010 with a cash in the bank balance of r8.3 million. This means there was sufficient investment in the bank to cover the unspent conditional grants of R6 million in June 2010. From a financial viability perspective , the municipality has fully recovered. Although management systems including internal controls performance management system and reporting systems have been instituted , there are still challenges regarding the implementation of the said systems.

• Financial Performance

Table 1 below provides a snap shot of the operating actual expenditure of R28 191 294 against the adjustment budget expenditure of R27 545 623 ; leaving a negative balance of R645 671 (unauthorised expenditure) the discrepancy of this unauthorised expenditure is a function of the poor implementation of financial internal control. This access expenditure was only discovered after the review of the audited expenditure. The responsible department for the said over expenditure (unauthorised) as per reference to table 2, are the management (Municipal Managers office) and Corporate Services. Both The Municipal Managers office and Corporate Services, are not Service Delivery Departments.

TABLE 1

DESCRIPTION	COUNCIL	MANAGENENT	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	LED	Total
AUDITED EXPENDITURE									
Councillor's remuneration	4 468 906								4 468 906
Employees Related Costs		1 577 367	1 796 558	1 750 447	1 000 251	628 857	2 758 403	826 041	10 337 924
General expense	714 936	6 150 703	3 305 961	868 620	269 315	91 200	930 552	140 397	12 471 684
Repairs and maintainance		13 167	28 325	-	771 266	-	-	-	812 758
Leave provision adjustments			50 375	-	5 699	18 200	25 748	-	100 022
Actual Expenditure	5 183 842	7 741 237	5 181 219	2 619 067	2 046 531	738 257	3 714 703	966 438	28 191 294
Budget	5 195 729	5 301 056	6 189 139	2 286 111	2 264 640	767 037	4 034 177	1 507 734	27 545 623
Variance	11 887	(2 440 181)	1 007 920	(332 956)	218 109	28 780	319 474	541 296	(645 671)

The above table 1 reveals the following fact. The salary bill for staff and councillors amounts to R15 336 748. This translate to 55% of the operating actual expenditure. The staff salary bill exclude the component of councillor's salaries and allowances is 39% of the operating actual expenditure. The combined total of salaried and general expenses (administration) is R 26 934 674 ; accounting for 96% of the operating actual expenditure. Although there is a small

component of Service Delivery of refuse collection in the said 96% , but such component of Service Delivery is extremely small and by and large , negligible. The above tale indicate a shocking small figure on repairs and maintenance. Thus, indicating low level , if any, of Service Delivery Programmes in the maintenance of Infrastructure and Public facilities. This is one of the reasons the terms section 139 intervention included the review of both the organisational structure and more importantly the structure and component of the Municipal budget. Incidentally, a substantially progress in this regard is underway and will form part of the next annual report for 2010/11

TABLE 2
AUDITED ACTUALS FOR
2009/20

DESCRIPTION	BUDGET	ACTUAL EXPENDITURE	VARIANCE	% SPENT
COUNCIL DEPARTMENT				
Councillors Remuneration	4 468 906	4 468 906	-	100%
General Expenses	726 823	714 936	11 887	98%
	5 195 729	5 183 842	11 887	100%
MANAGEMENT				
Employees Related Costs	1 700 037	1 577 367	122 670	93%
General Expenses	3 535 323	6 150 703	(2 615 380)	174%
Repairs and Maintenance	-	13 167	(13 167)	0%
Leave Provisions	65 696		65 696	0%
	5 301 056	7 741 237	(2 440 181)	146%
FINANCE DEPARTMENT				

Employees Related Costs	1 871 721	1 796 558	75 163	96%
General Expenses	4 203 808	3 305 961	1 510 840	69%
Repairs and Maintenance	21 250	28 325	(7 075)	133%
Leave Provisions	93 360	50 375	42 985	54%
	6 190 139			

5 181 219 1 621 913 76%

CORPORATE SERVICES

Employees Related Costs	1 495 147	1 750 447	(255 300)	117%
General Expenses	716 200	868 620	(152 420)	121%
Repairs and Maintenance	-	-	-	0%
Leave Provisions	74 764		74 764	0%
	2 286 111	2 619 067	(332 956)	115%

TECHNICAL SERVICES

Employees Related Costs	1 085 251	1 000 251	85 000	92%
General Expenses	435 067	269 315	165 752	62%
Repairs and Maintenance	686 939	771 266	(84 327)	112%
Leave Provisions	57 383	5 699	51 684	10%
	2 264 640	2 046 531	218 109	90%

LIBRARY SERVICES

Employees Related Costs	643 324	628 857	14 467	98%
General Expenses	91 200	91 200	-	100%
Repairs and Maintenance	-	-	-	0%

Leave Provisions	32 513	18 200	14 313	56%
	767 037	738 257	28 780	96%

COMMUNITY SERVICES

Employees Related Costs	3 010 503	2 758 403	252 100	92%
General Expenses	885 645	930 552	(44 907)	105%
Repairs and Maintenance	-	-	-	0%
Leave Provisions	138 029	25 748	112 281	19%
	4 034 177	3 714 703	319 474	92%

LOCAL ECONOMIC

DEVELOPMENT

Employees Related Costs	1 061 859	826 041	235 818	78%
General Expenses	390 867	140 397	250 470	36%
Repairs and Maintenance	0		-	0%
Leave Provisions	55 008		55 008	0%
	1 507 734	966 438	541 296	64%

Table two above gives a summary expenditure per departments of the municipality. Each departments expenditure is divided into the four standard components (expenditure centres) of the municipality. Reference to management above, refers to the Municipal Managers office as a department for budget control purposes. Ironically, the Municipal Manager bares the ultimate responsibility and accountability for all the controls in the municipality; including the control of expenditure to be within the budget. The office of the Municipal Manager over spent by a total of R2 440 181.00. This translate to a total expenditure of 146% for the department of the Municipal Managers office. The general expenses

component spent R6 150 703 Against a budget of R3 535 323 ; thus translating to 174% actual expenditure. The department of Corporate Services overspent R332 956, translating to 115%. The salary component of this department was overspent by 117% whilst the general expenses component of the same department was overspent by 121%. There is simple no justification for the said over expenditures. We will guard against such practises in future

TABLE 3 : Capital Expenditure

No.	Project Name	Funder	Budget	Amount	Xxx figures	Yyy figures	Zzz figures
1	Traffic Station	MIG	7 065 200.00	5 733 753	5 817 208.36	6 568 426.52	5 761 779.65
2	Council Chamber	MIG	1 694 300.00	2 508 114	2 508 114.21	2 756 517.13	2 417 997.48
3	Mphakathini Hall	MIG	2 360 000.00	1 330 095	1 330 094.69	1 429 539.43	1 253 981.96
4	Bhekabantu Hall	MIG	2 360 000.00	1 078 041	1 078 040.86	1 174 792.69	1 030 519.90
5	Mahlakwe Hall	MIG	2 360 000.00	2 321 456	2 321 455.59	2 465 051.07	2 162 325.50
		Project			2 634 330.89	2 941 232.89	2 580 028.91
6	Manguzi Roads	Cons	3 300 000.00	2 634 331			
7	Njinji Road	MIG	2 650 500.00	3 118 084	3 118 084.02	3 341 149.58	2 930 832.96
8	Masibambisane Market	MIG	819 000.00	883 672	883 671.54	1 015 775.36	891 031.02
9	Mbazwane Road.	MIG	5 022 000.00	1 792 938	1 812 783.75	1 797 960.15	1 577 158.02
10	Manaba Sport field	Sport			466 546.70	518 385.22	454 723.88
			27 631 000.00	21 400 483.53			

Summary of the Capital Budget Expenditure

TABLE 4

	xxxxx	yyyy	zzzzz
Total Capital Payments	23 054 339.13	2 830 129.37	20 215 209.76
Total adjustments	2 038 499.30	250 342.04	1 788 157.46
Adjusted total capital project	28 147 672.78	3 456 731.74	24 690 941.04

Table 4 above provides a snap shot of expenditure on capital project in terms of capital budget. From the said snap shot , there were three sources of funding for our capital budget ; namely Municipal Infrastructure Grant (MIG) , Project Consolidate (KZN COGTA) , and the department of Sport and Culture KZN. There was no funding for the capital budget from the municipality except for small item such as computers and office equipments.

All the above projects were scheduled for completion during the financial year under review. Council Chamber should have been completed in March 2010; Traffic testing station should have been completed in January 2010; Njinji Road should have been completed in February 2010 ; Mahlakwe Community Hall should have been completed in October 2009; Masibambisane Market should have been completed in October 2009; Bhekabantu and Mphakathini Community Halls should have been completed in May 2010 and Manaba Sport field should have completed in June 2010. Manguzi and Mbazwana Roads should have been completed in the year before 2009/10. The delay for completion of the said projects is due to a number of factors. Poor project management by both the municipal management and appointed service provider on Project Management, is one of the reasons for the delay. There was never a project plan on the basis of which the Project Manager and the Contractor , were to be held accountable for payments purposes. The cash flow crisis of the municipality was another reasons for the delay. Contractors were not paid on invoice because the funds for the projects had been misappropriated for other expenditures. In some instances, contractors would suspend operations on the project pending

payments. More importantly, lack of oversight by council in general and EXCO in particular over management, is another reasons for the delays and failures.

- **PMS & SDBIPs**

One of the management weaknesses was the lack of a performance management system. At the start of the financial year under review there was no organisational scorecard; nor was there SDBIPs by section 57 managers including the Municipal Manager. Consequently, section 57 managers had no valid performance agreement. Notwithstanding the lack of organisational performance scorecard during the year under review; in March 2010, section 57 managers were made to compile and sign “Interim SDBIPs” as the basis of their performance agreement for the remainder of the financial year. It should be place on record that such SDBIPs by section 57 managers was not based on any pre determined performance measurements and targets as contemplated in Municipal Planning and Performance Management Regulations of 2001. The interim SDBIP was more of a thumb suck list of activities which each section 57 manager set to achieved during the last four months of the financial year. This was certainly no Performance Plan for the entire financial year. The report under chapter 4 of this report is a report on the above mentioned interim SDBIP. According to the said interim SDBIP there were 62 performance targets for the remainder of the financial year of which 22 performance targets were met; translating to a 36% performance level. This is below satisfactory level

MUNICIPAL KPA	PERFORMANCE TARGET	ACHIEVEMENT
Service Delivery	17	5
Institutional Development & Transformation	16	7
LED	0	0
Financial Viability	22	9
Good Governance	7	1
Total	62	22

- **2009/10 Audit Outcome**

The Auditor General has given the municipality an unqualified Audit Outcome with other matters for emphasis. The critical issues that the Auditor General has drawn to the attention of the council, are the issues/ matters which were declared in the notes to the AFS for 2009/10. The said issues include fruitless and wasteful expenditure totalling the amount of R5 461 MILLION, irregular expenditure of R2 828 702, inadequacy of the IDP for 2009/10 as far as functional PMS, is concerned and poor reporting and documentation on PMS. Save for a few cases such as procurement of a company which include an employee as a share holder, all the issues that were raised as of concerns in the AG's report, have either been declared in the notes to the AFS or reported to the Auditor General and other stakeholders through the various reports of the Administrator. The issues which the AG's report has identified as either fruitless and wasteful expenditure or irregular expenditure have been included in the Civil Summons which has been issued against the former Municipal Manager and the former CFO jointly, for the recovery of certain moneys / payments in the total amount of R15.3 million. The same issued has been duly reported to the police for Criminal charges.

At the time of the audit there were two issues of financial governance nature which were still under consideration. It was the recovery of overpayment of travel claim by councillors which the AG had uncovered in the previous audit report. The amount was R844 634, however after a close scrutiny the amount came down R798 840. This issue has been since resolved and all affected councillors has signed acknowledgement of debts and are repaying the overpayment. The other issue was irregular payment of bonuses to section 57 managers for 2006/07 & 2007/08 financial years in the total amount of R389 275.36 (R203 430.28 for 2006/07 & R185 827.08 for 2007/08). These issues remain unresolved despite repeated correspondence to the members of EXCO on the subject. It has been reported accordingly to the council and the council has taken no decision on the matter. The matter has also been reported to the MEC's for Local Government and Finance in

3. ORGANISATIONAL STRUCTURE

Occupational Levels	Male	Female
Top Senior Management	2	2
Professional qualified & experienced specialists & mid management	3	1
Skilled technical and academically qualified worker, junior management, supervisors , foremen and Superintendants	6	5
Semi skilled and discretionary decision making	11	12
Unskilled and defined decision making	11	13
Total employees	33	33
Temporary employees		1
total	33	34

GRAND TOTAL

67

VACANT POST 2009/10

top/senior management	2 – municipal manager & chief financial officer
professional qualified and experienced specialist and mid management	2 – EHS & public facilities officer (senior) and institutional & development senior officer
skilled technical and academically qualified workers , junior management, supervisors , foremen and superintendants	9 – IDP officer , municipal planning officer (technical officer), protection officers x2, learner traffic officer, accountant, it officer and assistant accountant
semi skilled and discretionary decision making	3- admin clerk , secretary to director technical services and secretary to director corporate services
unskilled and defined decision making	1- general worker

TOTAL VACANT POST

17

COUNCIL STRUCTURE 2009/10

Index : A – African; C – Coloured; I – Indian; W – White

DESCRIPTION	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
COUNCIL	19	-	-	-	7	-	-	-	26
EXECUTIVE COMMITTEE	3	-	-	-	2	-	-	-	5
CORPORATE & COMMUNITY SERVICE PORTFOLIO COMMITTEE	7	-	-	-	3	-	-	-	10
FINANCE & INFORMATION MANAGEMENT SYSTEMS PORTFOLIO COMMITTEE	8	-	-	-	2	-	-	-	10
PLANNING, LED & INFRASTRUCTURE DEVELOPMENT PORTFOLIO COMMITTEE	6	-	-	-	4	-	-	-	10
MUNICIPAL SCOPA	5	-	-	-	2	-	-	-	7

Umhlabuyalingana Municipality is consisting of thirteen (13) wards with a total of 26 councillors. The municipality has an Executive Committee type of the council with three (3) portfolio committees and the municipal SCOPA. The Council is made up of two political parties, the IFP and the ANC. The ruling party in the municipal Council is IFP with 14 councillors and the rest of councillors are from the ANC.



4. SECTION 46 MUNICIPAL SYSTEMS ACT (MSA) PERFORMANCE REPORT

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
Basic Service Delivery and Infrastructure	To provide adequate infrastructure and facilities	Spatial Planning	Adoption and approval of LUMS by the Council by 30 June 2010	Target not achieved, there was no budget allocated for this function.	Nil	Nil	Nil	This target was not achieved due to none availability of funds	
		Roads	4 km of Njinji access road completed and laying of storm water pipes by 30 June 2010	Target not achieved the following has been achieved. Construction of 4km of formation and sub -base is complete 600mm die storm water pipes culverts are being laid	R 2 650 500.00	R3 341 149.58	R2, 930 832.96	MIG approved allocation as per the budget column for the construction of 2km gravel road, however the appointment was made for the construction of 4km gravel road. It was then apparent that the funds available could not complete the project hence application for additional funding because it was also evident that	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
								the road will not last if : A Layer of imported G5 material is not added to the existing structure Alternatively the existing imported Layer is ripped and stabilised , using lime cement , this option will depend on the test result of the existing material An application for an additional funding of R1 403 539.26 was made on the 5 th of August 2009 from MIG and is still awaiting approval.	
			2, 5 KM Mbazwana town roads services completed road 1: 700m X 6m wide, road 2: 200m X 6m wide, road 3: 200m X 6m wide, road 4: 160m X 6m wide by June 2010	Target achieved, construction of Mbazwana roads completed		R1, 797 960.15	R1, 577 158.03	Mbazwana town roads were completed despite poor performance by the contractor and there were legal ligations between the municipality and contractors. Remedial works were required for the road to be in good standard in the next financial year 2010/2011.	
			Rehabilitation of police station road and hospital road completed by 30 June 2010	Target not achieved, application for additional funding has been forwarded and awaiting response.		R2, 941 232.89	R2, 580 028.91	The project was funded by Project Consolidate and the mixture of incompetent project managers and contractors resulted in producing far below standard job, the road is currently worse than ever before its construction.	
		Traffic	Traffic Testing	90% complete	R7 065 200.00	R6, 568 426.52	R5, 761 777.65	The following activities are	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
		Testing Station	Station completed by 30 June 2010	except the outstanding matters				outstanding: Graves still to be relocated that are currently on site, Alternative accommodation for the land lord, Fencing and gates, Access road and parking, Aprone and paving, Furniture. Currently, the structure is now used by Traffic section of the municipality as drivers' learners testing centre	
		Community Halls	Mahlakwe hall completed by 31 March 2010	The project has been completed and will be taken over with snack list : Electrical wiring of the community hall and ablutions is complete Gravel excess road construction is in progress (the gravel in site do not meet the G5 criteria as per SABS 1200, project 96% complete.	R2 360 000.00	R 2, 465 051.07	R2, 162 325.50	The structure was about 96% complete with snack list electrical wiring still outstanding, ablutions were complete and gravel access road was still under construction.	
			Bhekabantu hall completed by 30 June 2010	Target not achieved , the steel structure has been elected , the plinth walls completed and currently compacting the under floor	R 2 360 000.00	R1, 174 792.69	R1, 030 519.90	The project is 30 % complete and the expenditure to date is 6% on the projected cost. Application for additional funding of R473 924.64 was made to MIG , the funding is still awaiting approval	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
				backfilling					
			Mphakathini hall completed by 30 June 2010	Target not achieved , steel structure has been elected , strip foundations, plinth walls , floor slab , walls and the contractor is currently plastering the walls.	R2 360 000.00	R1, 429 539.43	R1, 253 981.96	The project is 75% complete An application for additional funding of R480 007.57 was made to MIG , the funding is still awaiting for approval. Currently, the project is practically complete.	
		Community Market	Masibambisane market completed by 30 June 2010	The following work has been done : Steel super structure is complete Foundation walls are complete & the superstructure walls are in progress 40% complete Foundation for the ablutions are complete. The project is 50 % complete.	R820 000.00	R1, 015 775.36	R 891 031.02	The Contractor submitted an extension of time claim suggesting that the delays are cost by the Municipality. Budget was exhausted and the application for additional funding (AFA) to MIG was submitted.	
		Sports field	Manaba Sports field completed by June t2010	Target not achieved ,the following has been done : site clearance to level the ground of sport field , ablution block to full walls level done.	R1, 288 000	R 466 546.70	R 409 251.49	The project has stopped, due to dispute between the community, municipality and DSR apparently there was no sufficient consultation with the traditional authority prior to the identification of the sport field site.	
		Waste Management	50 refuse bags procured by end of March 2010	Target was achieved, 50 bags of refuse bags were procured.	R20 000			50 refuse bags were purchased as per target.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			Maintenance of sport fields, weekly on Mondays	Target not achieved, maintenance of sport fields was not done at all	N/A	N/A	N/A	There were no brush cutter machines and there was no budget to buy them until the new financial year.	
			Daily collection of waste in Manguzi, Mbazwana and Skhemelele	Target was achieved, this is an ongoing programme.	N/A	N/A	N/A	Target achieved daily collection of waste was done using municipal vehicles, despite challenges of non availability of waste collection truck, safety equipment for employees, etc.	
			Grass cutting in municipal gardens 1 st week of every month	Cutting of grass was done as per annual target.	N/A	N/A	N/A	Cutting of grass was done as per annual target.	
			Awareness campaign by 30 May 2010	On the 12 May 2010 the awareness campaign was held, and was a great success in that the community was educated about the importance of littering, the community was also part of waste collection team on the day of the awareness.	N/A	N/A	N/A	The awareness campaign was conducted despite problems of poor attendance of councillors & senior management.	
		Traffic Management	2950 learners examined by June 2010	The target was exceeded whereby 5971 learners were examined, of which	N/A	N/A	N/A	There was a huge demand from the public for the learner's licences. In addition to the learners licences issued, there	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
				51% of the examined learners pass their learners licences.				were 7 learner's licence replacements for those people who have lost their learner's licences.	
			120 licences renewed by June 2010	The target was exceeded, 482 licences renewed during the financial year.	N/A	N/A	N/A	The target was exceeded because of the high demand from the public.	
			120 professional driving permit issued by June 2010	The target was exceeded in that 293 professional driving permits were issued by June 2010.	N/A	N/A	N/A	The target was exceeded because of the high demand from the public.	
		Disaster Management	Ongoing	No disaster attended	N/A	N/A	N/A	No disaster attended	
Institutional Development and Transformation	To develop the institutional capacity and skills within the municipality	Council Chamber	Completed by 30 June 2010	Target not achieved , the following has been completed : Foundation Foundation walls Backfilling compacting under floors Floor slab Walls 40% complete The progress on the project is 90% complete	R10 187 396 .75	R2, 756 517.13	R2, 417 997.48	The following is outstanding on the project : Soil test to establish the foundation design Under floor backfilling compaction test results Foundation sizes and re enforcing Project managers registration and PI insurance There is a concern that lager amount of extra ordinary large steel , not in the original design is	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
								required by the Consultant that in most cases serve more purpose , resulting in the fruitless expenditure.	
		Human Resource Development	Completed Skills Audit by June 2010	Target not achieved, the questionnaire was handed over for completion by individual staff members.	N/A	N/A	N/A	Some staff members did not submit their completed skills audit questionnaire, however those who submitted have been forwarded to CoGTA.	
			Submission of Workplace Skills Plan for 2010/2011	Target achieved, work place skills plan successfully completed and forwarded on the 28 th June 2010 to LGSETA.	N/A	N/A	N/A	Acknowledgement receipt of WSP from LGSETA has not been received.	
			New organogram by end of May 2010	Target not achieved, the ground work has been done towards achieving the set target. The draft organogram was tabled and discussed by Exco.	N/A	N/A	N/A	Exco requested additional information before the tabling of the organogram to the Council for approval.	
			Comprehensive inventory list of all municipal assets by end of June 2010	Target achieved, the department has a file for inventory list of all updated municipal assets inventory list all municipal buildings.	N/A	N/A	N/A	The main challenge in this regard will be the movement of inventory within the offices.	
			2 quarterly leave records by June 2010	Target achieved, in the beginning of June 2010	N/A	N/A	N/A	Target achieved, leave records were distributed to staff members.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
				communication was forwarded to all staff members informing them about their annual leave credit.					
		Administrati on	2 Council meetings by June 2010	Target achieved, 4 ordinary council meetings for the financial year were held on the 06/10/2009; 18/12/2009; 31/03/2010 and 25/06/2010 as per the legislation. The last two meetings above were those mentioned as per annual target.	N/A	N/A	N/A	In addition to the legislated Council meetings, 13 Special Council meetings were held during the financial year.	
			4 Exco meetings by June 2010	One ordinary Exco meeting and 8 Special Exco meetings held for the year.	N/A	N/A	N/A	The non availability of councillors because of other commitments was the reason for not achieving the target of 10 ordinary Exco meeting per year, The Special meetings were part of the postponed ordinary meetings.	
			4 Portfolio meetings by June 2010	Target not achieved.	N/A	N/A	N/A	Three Portfolio Committee meetings were held on 24/03/2010; 17/05/2010 & 14/06/2010, this was due to non availability of councillors because of other commitments and also the main reason behind not achieving the target of at least 12 portfolio committee meetings per year as scheduled.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			Percentage of resolutions implemented	Target achieved, all resolutions were captured and implemented.	N/A	N/A	N/A	All Exco and Council resolutions were captured for implementation by relevant HODs. Captured resolution were distributed monthly to the HODs.	
			Daily collection of mail	Target achieved. Mail is being collected daily from the post office.	N/A	N/A	N/A	The daily inspection of incoming mail register will address challenges of immediate or daily opening, recording and delivery of mail to intended recipients as well as collecting of registered mail from post office.	
			Daily distribution of correspondence	Distribution of correspondence is done daily.	N/A	N/A	N/A	The daily supervision of distribution of correspondence will be done to improve the level of this service within the institution.	
			Daily distribution of incoming faxes	Distribution of incoming faxes is done daily.				The daily supervision of the delivery of incoming faxes will improve the level of this service.	
			Proper management of records	Target not achieved, there was no filing system in place for the correspondence delivered, however such file will be created and will be kept at registry office.	N/A	N/A	N/A	As from June 2010 file for the incoming correspondence is kept at registry office.	
			Licensing of vehicles be done within 14 days after expiry date.	Target not achieved, licensing for 2 Nissan bakkies and 2 tractors was up to date.				The truck still has to go for roadworthy test. TLB & Nissan X-Trail renewal of licences undergoing internal processes.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			Repairs be done within 30 days of reported disrepair	Target achieved, repairs are done within 30 days of disrepair.				Target achieved, vehicle repairs were done within 30 days of disrepair.	
			Daily cleaning of offices	Target achieved, with challenges of non availability of water.				There are challenges of non availability of water due to the ineffectiveness of water schemes in the area. There are also isolated incidents of ill-discipline from certain individuals within the institution of using toilets when there is no water or deliberately not flushing toilets after usage.	
			12 inspections of guarded sites by end of June 2010	Target achieved, 12 inspections of guarded sites were conducted, however there are challenges of absenteeism of security guards from post, particularly at Manguzi Sports field, which resulted in the service provider's June 2010 invoice not been paid, the service provider has been requested to provide proof of the security guard attendance or reduce the invoice before payment effected.	N/A	N/A	N/A	Guarded sites were inspected 3 times a week.	
			Annual report	Annual report	N/A	N/A	N/A	Performance Annual report was	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			based on quarterly reports	successfully submitted within 7 days of the following month.				successfully submitted within 7 days of the following month.	
Local Economic Development								??	
								??	
								??	
Financial Viability and Management	To improve financial viability and financial management planning	Income and Expenditure Development	Completion of addresses for valuation roll by 30 June 2010	Target not achieved				The service provider have been appointed and awaiting for the result from the service provider.	
			Report about integrated financial system by 30 June 2010	Report about billing financial system have been done the recommended service provider Fujitsu who is supplying creditors, cashbook and ledger module, but the municipality preferred the Abukus system due to those grounds that the municipality is currently using it which will make it easy for the integration.				Target achieved, report on integrated financial system was conducted.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			Fixed asset register systems by 30 June 2010	Target not achieved, the system was not acquired during this financial year.				Challenges were experienced with the service provider of the financial system. Decision taken to address it as part of the new financial system in 2010/11	
			All municipal assets insured by 30 April 2010	All municipal assets were insured for a period of July 2009 to June 2010.				All municipal assets were insured for a period of July 2009 to June 2010.	
			Payment of salaries	Target not achieved	N/A	N/A	N/A	The municipality had a serious challenge for the first four (4) months of the financial year, i.e. July, August, September & October 2009 whereby the municipality had a serious cash-flow which was a result of the intervention by the MEC in terms of Sec 139 (1)(b). However, salaries were paid as per the target during the last 8 months of the financial year.	
			Payment of creditors within 30 days of the invoice	Target not achieved, major challenges are that each time a new creditor crop in , demanding payment without an official order , at some instances being in possession of an official appointment letter whereby legal processes of procurement were not complied with. Some officials	N/A	N/A	N/A	During the first four (4) months of the financial year, the municipality had a serious challenge regarding the payment of all creditors including statutory creditors such as medical aid, pension etc, however that has changed after the intervention by the MEC in terms of Sec 139(1)(b) creditors are paid within seven days after the end of the month.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
				would then confirm the rendering of services					
			Monthly reconciliation of Creditors	Monthly creditors was performed for statements received.	N/A	N/A	N/A	Monthly creditors was performed for statements received.	
			IRP 5 and tax reconciliation by 31 March 2010	Tax reconciliation have been made for the period in question	N/A	N/A	N/A	Tax reconciliation have been made for the period in question.	
		SCM	Procurement of goods and services within 30 days of demand by 30 June 2010	Good & Service were procured within 30 days of demand.	N/A	N/A	N/A	Good & Service were procured within 30 days of demand.	
			12 monthly reports for submission of SCM reports					??	
		Budget & Treasury	Adjustment budget 2009/2010 by 31 January 2010	Target achieved, the budget adjustment resolution was passed by the Council on the 28/01/2010; UMHC 031.	N/A	N/A	N/A	Target achieved, the budget adjustment resolution was passed by the Council on the 28/01/2010; UMHC 031.	
			Zero rated tariff policy 2009/2010 by 31 January 2010	There is a council resolution pertaining the zero rated MPRA.	N/A	N/A	N/A	There is a council resolution pertaining the zero rated MPRA.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			Approval or disapproval of expenditure	All approvals and expenditures were approved by the Administrator	N/A	N/A	N/A	All approvals of expenditure were approved by the Administrator	
			Annual Budget for 2010/2011 by 30 May 2010	On the 15/06/2010 the Council passed the resolution for the Annual Budget 2010/2011 approval, UMHC 060.	N/A	N/A	N/A	On the 15/06/2010 the Council passed the resolution for the Annual Budget 2010/2011 approval, UMHC 060.	
			Budget Committee by 31 March 2010	This committee was not constructed during the period in question.	N/A	N/A	N/A	The budget committee was not appointed,	
			Approval of unauthorized expenditure by 30 April 2010	Target not achieved	N/A	N/A	N/A	Council approval of unauthorized expenditure was done on the 31/05/2010 UMHC 051, but the target was achieved since the timeframe as per the target was not met.	
			Conditional grants register by 31 March 2010	Reconciliation were completed	N/A	N/A	N/A	Reconciliations were performed	
			Suspended activities that are not service delivery to community by 31 January 2010	Moratorium was placed on the expense such as subsistence & travelling, entertainment & functions, overtime, sports and cultural activities.	N/A	N/A	N/A	Moratorium was placed on the expense such as subsistence & travelling, entertainment & functions, overtime, sports and cultural activities.	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			Monthly cash-flow Plan to manage expenditure	Cash-flows were performed on a monthly basis.	N/A	N/A	N/A	Monthly cash-flows were performed as planned.	
			Monthly reports for section 71 within 10 working days after month end	12 Monthly budget statement reports in terms of section 71 of the MFMA have been submitted to National and Provincial Treasuries.	N/A	N/A	N/A	12 Monthly budget statement reports in terms of section 71 of the MFMA have been submitted to National and Provincial Treasuries.	
			Reconciliation within 5 working days	12 monthly Bank and VAT reconciliation reports have been made each month for the whole year.	N/A	N/A	N/A	12 monthly Bank and VAT reconciliation reports were made each month for the whole year	
			Reports made monthly on the 7 th day after month end.	All the reports were made to the accounting officer for the months after the intervention.	N/A	N/A	N/A	All the reports were made to the accounting officer for the months after the intervention.	
Good Governance and Public Participation	To promote transparency and accountability in the affairs of the municipality	PMS	Annual report based on quarterly reports	Target not achieved, section 57 managers did not submit their quarterly report in time. Despite being reminded with an internal memorandum by the Administrator.	N/A	N/A	N/A	Target not achieved , section 57 managers did not submit their quarterly report in time. Despite being reminded with an internal memorandum by the Administrator.	
		Reports	Submission of monthly report	Target not achieved some section 57	N/A	N/A	N/A	Target not achieved some section 57 managers did not	

NATIONAL KPA	IDP OBJECTIVE	PRIORITY	ANNUAL TARGET	2009/10 ACTUAL OUTPUT	BUDGET	2009/2010 EXPENDITURE INCL VAT	2009/10 EXPENDITURE EXCL VAT	REASON FOR VARIANCE	SCOPA'S COMMENTS
			on the 7 th day after the month end by all sec 57 managers to the Administrator	managers did not want to submit their monthly reports as per the set target .				want to submit their monthly reports as per the set target . This matter was reported to the Executive Committee	
		IDP	Approval and submission of IDP document by 30 June 2010	Target achieved, the Council resolution was taken on the 15/06/2010 and submitted to CoGTA on 1 st July 2010.	N/A	N/A	N/A	Target achieved, the Council resolution was taken on the 15/06/2010 and submitted to CoGTA on 1 st July 2010.	
		Internal Audit	Audit quarterly Audit Plan 2010/2011	Audit Plan for 2010/2011 in place	N/A	N/A	N/A	Audit Plan for 2010/2011 in place as per MM's SDBIP.	
		Audit Committee	Quarterly report	Target not achieved	N/A	N/A	N/A	Advert was publicised in the Mercury Newspaper of Monday the 8 th March 2010 and all applicants were not suitable or did not meet the institution's expectations on qualification and/or experience.	
		Special Programme	Notice and minutes of LAC meeting by 30 April 2010	Target not achieved	N/A	N/A	N/A	Even though the meeting was eventually held on the 24 th June 2010, however the target time frame was not met as per annual target.	
			Notice and minutes of Umhlabuyalinga na Men's Forum	Target not achieved.	N/A	N/A	N/A	The target was not achieved due to poor attendance, the meeting was scheduled for the 24 th June 2010.	

5. RECOVERY PLAN : ADMINISTRATOR

KPA	PRIORITY / PROBLEM	TARGET OUTPUT	ACTUAL RESULTS	RISK / COMMENT
Financial Viability and Management	Financial Recovery Plan to address systemic Financial Management Weaknesses	1. Recovery Plan approved by KZN CoGTA and implemented February 2010	Recovery Plan approved and implemented in March 2010	Some parts of Recovery Plan were implemented in January 2010
	Unauthorised Expenditure of R1.214,957 per 2008/09 Audit report	2. Bring the item to the Council for rectification in terms of section 32 of the MFMA	Rectified by the Council in May 2010	Item submitted to EXCO for consideration before Council
	Irregular expenditure of R7.634,898 per 2008/09 Audit Report	3. Investigation report on the nature and extent of irregular expenditure by April 2010	Investigation report completed in April 2010; identifying a total of R15.444,489.00 (irregular , wasteful and fruitless expenditure <ul style="list-style-type: none"> • Civil Summons of the above amount issued against the former Municipal Manager and the CFO • Criminal charges reported to 	

			the police in March 2010.	
		4. Reconciliation of all Conditional Grants to determine balances and conditions of the grant in March 2010	Conditional Grants reconciliation completed in March 2010 with a view of implementing the conditions of the grants when there is cash on hand	
		5. Reconciliation of MIG Grant since 2005/06 to 2009/10 in March 2010	MIG Grants for the years completed in May 2010	There are creditors dating as far back as 2006, largely on retention moneys. This is being addressed subject to cash flow.
	Management of Creditors	6. Monthly reconciliation of all creditors with age analysis report on the 5 th of every month	The monthly creditors reconciliation has been done but without age analysis report	Systems in adequacies and capacity challenges in the Department including poor records in the past
		7. Payment of all outstanding creditors in MARCH 2010	All known outstanding creditors paid off in March 2010	We have discovered that there are creditors who has been outstanding for years , who only pitch up now that there are reports of cash flow improvement .
	Management of the Financial Viability	8. Place moratorium in January 2010 on : <ul style="list-style-type: none"> Subsistence & travelling 	Moratorium implemented successfully with effect	

		<ul style="list-style-type: none"> • Entertainment functions • Overtime • Sport and cultural activities • Funerals • Non core activities 	from January 2010 to limit expenditure to salaries and life threatening activities	
		9. Monthly cash flow plan to ensure cash- driven expenditure with an objective of building a cash – backed reserve to finance Unspent Conditional Grants	The monthly cash flow plan strategy was successful in that a cash balance of R8.3 million was achieved in the end of June 2010. This is sufficient to cover all Unspent Conditional Grants	There are however long outstanding creditors who only came to the fore in June/July 2010 (about R3 million)
	Financial Controls and Procedures	10. Compilation and institutionalisation of Internal financial controls and procedures in May 2010	Manual of internal financial controls and procedures on expenditure and SCM completed in May 2010	These controls have not been incorporated into the financial system (Abakus) due to service providers problems .
	Financial Management /Accounting System (Abakus)	11. High level assessment of the functionality and reliability of Abakus Financial System in February 2010	Assessment report completed in March 2010 indicating that the system is adequate for the size of the Municipality ; but is poorly serviced and in certain instances under utilised	The Abakus Service Provider is the biggest risk facing this Municipality and should be discarded as soon as possible .Proceedings are underway in this regard
		12. Enter into a Service Level	Despite repeated	Review the contract

		Agreement with the service provider of Abakus in April 2010 to ensure utilisation and maintenance of the system	emails to the service provider , the service provider failed to honour the appointment for the purpose. There is still no Service Level Agreement	with a view of terminating it
		13. Set up the Financial System (Abakus) to provide for the following on line in order to stop Manual Financial Transactions in April 2010 <ul style="list-style-type: none"> • EFT payments • Bank deposits • Bank recons • SCM orders 	This target was not met due to Service Providers unavailability	DITTO
		14. Implementation of full menu of abakus for operational control and procedures in April 2010	DITTO	DITTO
	Implementation of MPRA	15. Follow compliances and implement systems to be ready for billing of Business and Government Properties in May 2010	Although the target was not met , but substantial progress was made in June 2010 in the form of a service provider having being appointed to compile Postal Addresses for billing and link such addresses to VR. Monthly bills will be sent to Rate Payers in	In the face of the challenges with abakus service provider , arrangements has been made with Big Five False Bay Municipality for the processing of monthly rates accounts for the next three months to give the Municipality time to find an alternative

			August 2010.	financial system with a billing capability.
	BUDGET	16. Preparation and adoption of 2009/10 adjustment budgets in February 2010	2009/10 adjustment budget adopted in February 2010 with operating expenditure reduced from R30 million to R27 million	The challenge was that most of the discretionary votes were already overspent by December 2009
		17. Preparation and adoption of 2010/11 budgets in May 2010	2010/11 Budget adopted in June 2010	<p>This budget was restructured to do the following :</p> <ul style="list-style-type: none"> • Eliminate non core activities • Make provision for Service Delivery activities (waste & fire) • Build a cash backed reserve to improve future working capital position of the Municipality
	GRAP Conversion	18. To convert 2009/10 budget into GRAP –Compliant Budget in May 2010	This target was not met due to capacity challenges	In 2010/11 there will be training provision for the purpose
Good Governance	Risk Management	19. To determine the state and the extent of the risk profile of the Municipality with appropriate action plans to manage the risk of	The exercise has not taken place and has been postponed to September 2010	

		the municipality in April 2010(with the assistance of KZN Treasury)		
		20. Appointment of the Audit Committee in April 2010	The advert for the appointment of the Audit Committee did not attracts appropriately qualified candidate. There has been a re –advert	It is difficult to attract professionals to this part of the Province due to distance factor.
		21. Preparation and adoption of the Audit Chatter in May 2010	Awaiting the appointment of the Audit Committee in September 2010	
		22. Preparation and adoption of the Annual Audit Plan	Awaiting the risk assessment report and the Audit Committee in September 2010	
	IDP	23. Review of 2009/10 IDP objectives in March 2010	IDP objectives were reviewed by Council in March 2010	
		24. Preparation and adoption of 2010/11 IDP review in June 2010	IDP review adopted by Council in June 2010	
		25. IDP & OPMS workshop for Councillors and Management in March 2010	IDP workshop took place in March 2010 with OPMS workshop to be undertaking in the first quarter of 2010/11	
Institutional Development and Transformation	PMS	26. Preparation of 2008/09 Annual report in March 2010	2008/09 Annual Report completed in April 2010	

		27. Introduction of the Mid –year SDBIP for section 57 managers in February 2010	Performance Agreement with SDBIP signed section 57 managers in March 2010.	
	Organisational Review	28. Review the organogram by June 2010	Draft submitted to EXCO but to be finalised in the new financial year	

6. AUDITOR GENERAL'S REPORT 2009/10

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMHLABUYALINGANA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umhlabuyalingana Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards on Generally Recognised Accounting Practice (SA Standards on GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Umhlabuyalingana Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umhlabuyalingana Municipality as at 30 June 2010, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Fruitless and wasteful expenditure

10. As disclosed in note 21 to the financial statements, fruitless and wasteful expenditure to the amount of R5,461 million was incurred as a result of the following:
 - R231 727 was paid in respect of penalties and interest for the late submission of PAYE and SDL returns
 - Costs of R180 000 was incurred as a result of the SCM process not being followed
 - Costs of R243 891 was incurred as a result of payment for internal audit reports and work produced after year-end
 - Costs of R46 991 was incurred as a result of an exhibition stand paid for but not used
 - Expenditure of R518 470 was incurred as a result of a payment made to an employee for unlawful dismissal as well as salary payments while the employee was on suspension, which was not warranted

- R19 914 was paid in interest on an overdraft which was not approved by council
- Expenditure of R417 396 was incurred on S&T payments contrary to S&T policy
- R24 468 was paid in legal fees for breach of a municipal contract
- R47 736 was paid for social facilitation without the SCM process being followed
- R199 100 was paid for a consultancy service where the SCM process was not followed
- R45 000 was paid for printing without the SCM process being followed
- R2,681 million was paid for construction without the SCM process being followed
- R805 000 was paid for construction without the SCM process being followed.

Irregular expenditure

11. As disclosed in note 22 to the financial statements, irregular expenditure to the amount of R2 828 702 was incurred as a result of the following:
 - Costs of R2,204 million were incurred without following the Supply Chain Management regulation (SCM) process in obtaining quotes, contrary to regulation 16 of the SCM, and furthermore, there was no proof that the services had been rendered
 - R302 329 was paid to suppliers who had been appointed in contrary to regulation 20 of the SCM.
 - R322 344 was paid to a supplier, a member of which was an employee of the state which is contrary to regulation 44 of the SCM.

Additional matters

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations -MFMA, DoRA, Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and Municipal Planning and Performance Management Regulations (Regulations – GNR/GN) and financial management (internal control).

Predetermined objectives

15. Material findings on the report on predetermined objectives, as set out on pages xx to xx, are reported below:

Non-compliance with regulatory and reporting requirements

16. Inadequate content of the integrated development plan (IDP)

- The IDP of the Umhlabuyalingana Municipality did not include key performance indicators and performance targets determined in terms of the performance management system, as required by section 26(i) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001 (MPPMR) .
- The Service Development and Budget Implementation Plan (SDBIP), annual budget and performance plans of the section 57 employees were not aligned to the IDP, as required by section 25 of the MSA.

17. No mid-year budget and performance assessment

The accounting officer of the Umhlabuyalingana Municipality did not assess the performance of the municipality during the first half of the financial year as required by section 72(1)(a) of the MFMA.

Usefulness of information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable and time bound?

The following audit findings relate to the above criteria:

18. Reported information not consistent

- Information contained in the draft annual performance report was inconsistent with information contained in the SDBIP.
- Information contained in the draft annual performance report is inaccurate and incomplete as the information did not correspond to information contained in the progress reports used to draw up the performance information report.

Reliability of information

The following criteria were used to assess the reliability of the planned and reported performance:

- Validity: Has the actual performance occurred and does it pertain to the entity, i.e. can the reported information be traced back to source data or documentation?
- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit finding relates to the above criteria:

19. No supporting documentation

Sufficient appropriate audit evidence in relation to information included in the draft annual performance report could not be obtained. There was also no satisfactory audit procedures that I could perform to obtain the required assurance as to the validity, accuracy and completeness of reported information.

Compliance with laws and regulations

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA)

20. The audit committee was not properly established

The municipality did not have an audit committee for the financial year as required by section 166 of the MFMA.

21. The mayor did not adhere to his legislative responsibilities

The mayor did not ensure that the council approved the municipality's service delivery and budget implementation plan within 28 days after the approval of the annual budget, as required by section 53(1)(c)(ii) of the MFMA.

22. The financial statements were not prepared in accordance with applicable legislation

Contrary to the requirements of section 65(2)(c) of the MFMA, the municipality did not have or did not maintain effective, efficient and transparent systems of internal control, as required by legislation for payment vouchers and invoices.

Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA)

23. Supply chain management legislative requirements are not adhered to

Annual declarations of interest were not made by the staff, as required by schedule 2, section 5A of the MSA.

Supply Chain Management Regulations (SCM)

24. Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

- Payments totalling R322 344 were made to a supplier with a member in the employ of the state, contrary to regulation 44 of the SCM.
- Payments totalling R2,204 million without obtaining the necessary quotes, contrary to regulation 16 of the SCM.
- Payments totalling R302 329 made to suppliers who were awarded contracts / appointed contrary to regulation 20 of the SCM.

INTERNAL CONTROL

25. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives, as well as compliance with the MFMA, DoRA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.

26. The matters reported below are limited to the deficiencies identified during the audit.

Leadership

- 27. The municipal manager was dismissed during the financial year under review.
- 28. Management has not exercised oversight responsibility over financial reporting and internal control in that actions were not taken to address risks relating to the achievement of complete and accurate financial reporting and reporting on predetermined objectives.
- 29. Actions have not been taken to mitigate risks relating to predetermined objectives, resulting in non-compliance with regulatory and reporting requirements.

Financial and performance management

- 30. The financial statements were subject to changes identified during the audit.
- 31. An inadequate filing system was in operation as supporting documentation requested was not readily available for auditing purposes.

Governance

- 32. No audit committee in place for the year under review.
- 33. Internal audit was not effective as reports were received after year-end and control measures had not improved during the financial year under review due to the timing of the reports.

OTHER REPORTS

Investigations

- 34. An internal investigation is presently being conducted by the appointed Administrator in respect of alleged misadministration of the municipality by the former municipal manager and former chief financial officer. The report had not been finalised at date of this report.

Pietermaritzburg

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

7. ACTION PLAN ON AG'S REPORT

SUBJECT	FINDING	STATUS	COMMENTS
1. 8 – Opinion	Not qualified	Finance	No comment
2. 9 – Emphasis on matters	Opinion not changes	Finance	No comment
3. 10 – Fruitless and Wasteful Expenditure	R231 727 was paid in respect of penalties and interest for the late submission of PAYE and SDL returns.	Finance	Because there was a cash-flow problem in 2009/10, SARS was not paid at all. The law stipulates that SARS must be paid within 7 days from the month end, but SARS was only paid in January 2010 for arrears after the arrival of the Administrator. Therefore this amount was for penalties, which could have been avoided should SARS was paid on time. The management will ensure that the municipality's account has always money.
	R180 00 was incurred as a result of the SCM process not being followed.	Finance	This expenditure was incurred for the interpretation of a policy, and will be recovered from responsible individuals; it is part of the summons

			issued to both former municipal manager and CFO.
	R243 891 was incurred as a result of payment for internal audit reports and work produced after year-end.	Finance	The municipality is in the process of recovering this expenditure and it is part of the summons issued to both the former municipal manager and CFO.
	R46 991 was incurred as a result of an exhibition stand paid for but not used.	Finance	The municipality is engaging legal processes to recover this expenditure from responsible people and it is part of the summons issued to the former MM and CFO.
	Expenditure of R518 470 was incurred as a result of a payment made to an employee for unlawful dismissal as well as salary payments while employee was on suspension, which was not warranted	Finance	This expenditure was incurred through payment made to Director Technical Services and it is part of the summons whereby the municipality engage legal process to recover it from the former MM.
	R19 914 was paid in interest on an overdraft which was not approved by Council.	Finance	The municipality is engaging legal processes as this is part of the summons issued to former MM to recover this money.
	Expenditure of R417 396 was incurred on S & T payments contrary to S & T policy.	Finance	This money is part of the summons issued to former employees and deductions will be made from current or former employees who

			have signed acknowledgement of debt and authorize the municipality to deduct the money from their leave days.
	R24 468 was paid in legal fees for breach of a municipal contract.	Finance	The municipality is engaging legal processes to recover this money from former MM & CFO; and it is part of the summons issued to them.
	R47 736 was paid for social facilitation without the SCM process being followed.	Finance	The money was paid to Sakhisizwe and it is part of summons issued to the former MM, as the municipality is trying to recover this money from him.
	R199 100 was paid for a consultancy service where the SCM process was not followed.	Finance	This expenditure was incurred by paying Umqondo Consultancy, and it is part of the summons issued to the former MM in an attempt to recover the money.
	R45 000 was paid for printing without the SCM process being followed.	Finance	This expenditure is also part of summons issued to the former MM & CFO. The municipality is trying to recover this money.
	R 2, 681 million was paid for construction without the SCM process being followed.	Finance	This expenditure was incurred when payments were made to Uluntu Consultants and it is part of summons issued against the former

			MM & CFO.
	R805 000 was paid for construction without the SCM process being followed.	Finance	The expenditure is part of summons issued against the former MM and CFO.
4. 11 – Irregular Expenditure	Costs of R2, 204 million were incurred without following the SCM regulation process in obtaining quotes, contrary to regulation 16 of the SCM, and furthermore, there was no proof that the services had been rendered.	Finance	This was the expenditure incurred on supply of free basic energy, it is part of the summons issued against former MM & CFO.
	R302 329 was paid to suppliers who had been appointed in contrary to regulation 20 of the SCM.	Finance	This was the expenditure incurred on construction of market by Malovu and it is part of summons issued against former MM & CFO.
	R322 344 was paid to a supplier, a member of which was an employee of the state which is contrary to regulation 44 of the SCM.	Finance	The Municipal Manager has issued a directive that all staff members must have sign declarations of interest on/or before 15 th February 2011.
5. 16 – Inadequate content of the integrated development plan (IDP)	IDP did not include key performance indicators and performance targets determined in terms of the PMS, as required by section 26 (1) of the MSA and regulation 12 of the Municipal	IDP	This was due to that there was no Organizational Performance Scorecard. However, it has been corrected in the year 2010/2011.

	Planning and Performance Management Regulations, 2001 (MPPMR).		
	The SDBIP, annual budget and performance plans of the section 57 employees were not aligned to the IDP, as required by section 25 of the MSA.	IDP	This was due to that there was no Organizational Performance Scorecard. However, it has been corrected in the year 2010/2011.
6. 17 – No Mid-Year Budget and Performance Assessment.	The accounting officer did not assess the performance of the municipality during the first half of the financial year as required by section 72 (1)(a) of the MFMA.	PMS	This will be corrected in the 2010/2011 financial year.
7. 18 – Reported information not consistent	Information contained in the draft annual performance report was inconsistent with information contained in the SDBIP.	PMS	There was an inconsistency due of information due to the SDBIP of the former Acting MM, where targets under Service Delivery & Infrastructure Development NPKA where mixed with targets under Local Economic Development NKPA, etc. However, we will try to rectify that error in the Annual Report.

	Information contained in the draft annual performance report is inaccurate and incomplete as the information did not correspond to information contained in the progress reports used to draw up the performance information report.	PMS	The information in the annual performance document was still a draft as mentioned by auditors. Therefore it is correct that it was not accurate.
8. 19 – No supporting documentation.	Sufficient appropriate audit evidence in relation to information included in the draft annual performance report could not be obtained. There was also no satisfactorily audit procedures that auditors could perform to obtain the required assurance as to the validity, accuracy and completeness of reported information.	PMS	We agree and this was mainly due to the fact that there was either no records or no performance management at all in this organization prior to what the Administrator had introduced in March 2010 (last quarter of the financial year).
9. 20 – The Audit Committee was not properly established.	The municipality did not have an Audit Committee for the financial year as required by section 166 of the MFMA.	PMS	Yes, there was no Audit Committee, but it has since been appointed, as from the 2 nd November 2010.
10. 21 – The mayor did not adhere to his legislative responsibilities	The mayor did not ensure that the Council approved the municipality's SDBIP within 28 days after approval of the annual budget, as required by section 53 (1)(c)(ii) of the MFMA.	PMS	The SDBIPs were only signed in March 2010.
11. 22 – The financial statements	Contrary to the requirements of section 65(2)(c) of the MFMA, the municipality	Finance	

were not prepared in accordance with applicable legislation.	did not have or did not maintain effective, efficient and transparent systems of internal control, as required by legislation for payment vouchers and invoices.		
12. 23 – Supply chain management legislative requirements are not adhered to.	Annual declarations of interest were not made by the staff, as required by schedule 2, section 5A of the MSA.	SCM	The Municipal Manager has issued a directive that all staff members must have sign declarations of interest on/or before 15 th February 2011.
13. 24 – Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure.	Payments totalling R322 344 were made to a supplier with a member in the employ of the state, contrary to regulation 44 of the SCM.	SCM	The Municipal Manager has issued a directive that all staff members must have sign declarations of interest on/or before 15 th February 2011.
	Payments totalling R2, 204 million without obtaining the necessary quotes, contrary to regulation 16 of the SCM.	SCM	Civil summons have been served to the former MM and CFO to recover this money.
	Payments totalling R302 329 made to suppliers who were awarded contracts / appointed contrary to regulation 20 of the SCM.		Civil summons have been served to the former MM and CFO to recover this money.
14. 25 – Internal Control	Not expressing opinion on the effectiveness of internal control.	Internal Control	Noted
15. 26 – Internal Control	The matters reported below were limited to the deficiencies identified during audit.	Internal Control	Noted

16. 27 – Leadership	Municipal Manager was dismissed during financial year under review.	Leadership	Noted
17. 28 – Leadership	Management has not exercised oversight responsibility over financial reporting and internal control in that actions were not taken to address risks relating to the achievement of complete and accurate financial reporting on predetermined objectives.	Leadership	<ul style="list-style-type: none"> ➤ Organizational Scorecard. ➤ SDBIPs, ➤ Implementation plans, ➤ Reports.
18. 29 – Leadership	Actions have not been taken to mitigate risks relating to predetermined objectives, resulting in non-compliance with regulatory and reporting requirements.	Leadership	Risk Management workshop for the management was conducted on the 1 st & 2 nd of February 2011, and will still continue on the 10 th & 11 th of February 2011; which will enable the management to address this AG's finding promptly.
19. 30 – Financial and performance management.	The financial statements were subject to changes identified during the audit.	Leadership	Noted
20. 31 – Financial and performance management.	An inadequate filing system was in operation as supporting documentation requested was not readily available for auditing purposes.	Leadership	We agree with the finding and the Municipal Manager has assigned some officials in financial and performance management to address these challenges.
21. 32 – Governance	No audit committee in place for the year under review.	Governance	Audit Committee has been appointed.

22. 33 – Governance	Internal audit was not effective as reports were received after year-end and control measures had not improved during the financial year under review due to timing of the reports.	Governance	New Internal Audit with reputation has been appointed.
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8. APPENDIX :

AFS 2009/10

20/11ORGANISATIONAL PERFORMANCE SCORECARD

2010/11 SDBIP